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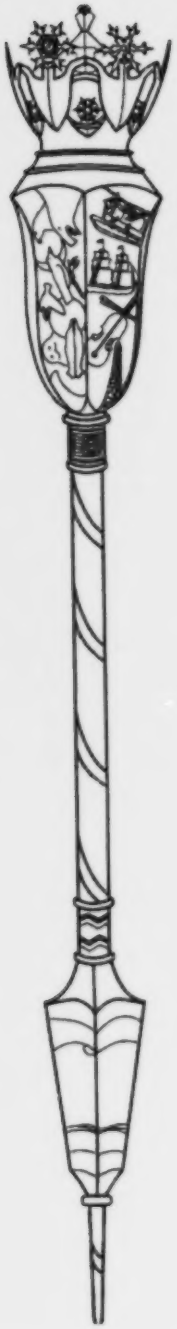

Northwest Territories Legislative Assembly

Standing Committee on Governance and Economic Development

Report of the Review of the Draft 2003-2004 Main Estimates

Chairperson: Mr. Floyd Roland

Northwest Territories Legislative Assembly
Standing Committee on Governance and Economic Development

FEB 14 2003

THE HONOURABLE ANTHONY (TONY) WHITFORD, MLA
SPEAKER OF THE LEGISLATIVE ASSEMBLY

Mr. Speaker:

Your Standing Committee on Governance and Economic Development has the honour of presenting its Report on the Review of the Draft 2003-2004 Main Estimates, and commends it to the House.

Floyd Roland, MLA
Chairperson

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Standing Committee on Governance & Economic Development
Report on the Review of the Draft 2003-2004 Main Estimates

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Standing Committee on Governance and Economic Development Report on the Review of the 2003-2004 Main Estimates

Introduction

The Standing Committee on Governance and Economic Development (GED or Committee) met from January 13 to January 24, 2003 to review the 2003-2004 Draft Main Estimates. The GED envelope includes the following departments, the Ministry of Aboriginal Affairs, the Financial Management Board Secretariat (FMBS), Finance, Public Works and Services (PWS), Municipal and Community Affairs (MACA), Transportation, and Resources, Wildlife and Economic Development (RWED).

General Comments

Corporate Capital Planning Process

The Government's Corporate Capital Planning process or CCP continues to be a leading concern of the Standing Committee on Governance and Economic Development. The CCP has one capital target with all department projects competing for the available funding. This competition or evaluation process is based upon a Primary Rating Criteria. The criteria prioritizes capital expenditures in the following order, protection of people, protection of assets, protection of the environment, financial investment considerations and program needs or requirements. Each project is then evaluated by a secondary criteria founded on the following factors: scale of impact, severity of impact if the project is not completed, urgency of the project and the ability to mitigate. All the Government's capital projects are subject to this funding approach. The evaluation process is done by the Capital Review Committee, which is entirely comprised of deputy ministers.

In their consideration of the CCP, Committee Members continued to have the following concerns:

1. The prioritization process, which is lead by the protection of people and protection of assets, unfairly penalizes less developed and less populated communities. Public sector spending is often the exclusive economic

driver in the majority of small communities. A more responsive approach that incorporates a fairer distribution of capital spending for small communities should be adopted.

2. Cost overruns in a number of large projects have impacted upon timelines and funding for other projects.

3. The membership of the Capital Review Committee is comprised in its entirety of deputy ministers. Committee Members concluded that the new process moved the decision making power to the Deputy Ministers rather than the Ministers, who are elected to represent the interests of the residents of the Northwest Territories.

At the conclusion of the Standing Committees' review of the 2003-2006 Business Plans, the Premier made a commitment to review the CCP that would incorporate concerns of the Regular Members. The Standing Committee on Accountability and Oversight (AOC) reminded the Premier that the Regular Members should be consulted on any proposed changes to the CCP prior to the introduction of the 2003-2004 Main Estimates in February, 2003. This would ensure input from Regular Members is incorporated into the final capital expenditure process prior to the finalization of the Government's forthcoming budget. As of the February 5, 2003, the Standing Committees have not received any correspondence from the Premier's office on this matter.

Proposed Revenue Initiatives

The Government recently proposed a number of revenue initiatives to reduce and better manage its forecasted cash deficit for the 2003-2004 fiscal year. The Government proposed:

1. An increase of $6.80 per carton of cigarettes, effective April 1, 2003, and

2. A 10 percent increase in liquor markups, effective April 1, 2003.

These proposed revenue increases are forecast to raise respectively $2,500,000 and $1,000,000 for a total of $3,500,000 for the Government in 2003-2004 and a similar amount for 2004-2005.

Committee Members were concerned about the significant impact of the proposed revenue initiatives upon the high cost of living in the Northwest

Territories. Accordingly, the Committee referred the matter to AOC for further discussion by all Regular Members. Detailed comments by Members of the Standing Committee on Governance and Economic Development are summarized in its review of the Department of Finance, Proposed Revenue Initiatives, found later in this Report.

A number of Members noted that tobacco and liquor consumption is not discretionary, but rather an addiction. Low or fixed income families would be affected the most. The proposed revenue initiatives may result in additional social costs for the Government.

Department of Public Works and Services – Proposed Increase to Administration Fee Surcharge

The Standing Committee is aware that while the majority of communities in the NWT provide their own water and sewer services there are currently four communities that rely on PWS to deliver that service. These communities have signed agreements with the Department, which bind them to accept the Department's maintenance services on the necessary infrastructure.

During the review of the Government's 2002-2003 Main Estimates the Standing Committee spent a considerable amount of time exploring this issue. Members discussed the limiting nature of the current contracts and had encouraged the Minister to draft new agreements in consultation with the communities. The Minister agreed and stated that new agreements would be signed with the affected communities over the summer of 2002.

At the same time the Standing Committee took issue with the fact that the four communities are currently being charged an additional 9 per cent administration fee over and above the amount being paid to the Department for work done on the community's behalf. The Committee is aware that the majority of the money spent by the community on services is ultimately recovered from MACA. Therefore, the Committee does not feel that it is appropriate for PWS to unilaterally impose a charge which will ultimately come from another GNWT department.

The Standing Committee felt that any administration fee would in effect be charged back to another GNWT department and therefore defeats the purpose of decreasing costs to the GNWT. Members suggested that this issue be referred to the Standing Committee on Accountability and Oversight so that all Members could have input.

The AOC Committee considered the matter and made the following recommendation in its Report on the 2002-2003 Main Estimates.

> *The Standing Committee on Accountability and Oversight recommends that the Financial Management Board Secretariat reconsider the surcharge of 9 per cent on services performed on behalf of community governments.*

During the Business Plan review for 2003-2006 the Committee asked if any communities had signed new draft agreements with the Department over the summer. The Minister stated that no community had signed a new agreement. However, a planned increase of the administration fee to 16 per cent was going ahead for implementation effective immediately. Justifying the increase, the Minister stated that he had been directed by the Financial Management Board to obtain full cost recovery for all services provided to the communities.

The Committee once again pointed out that it did not support even a 9 per cent administration fee levied on work done by the Department for communities and would certainly not support an increase of this fee to 16 per cent. Furthermore, the Committee expressed concern that a large increase in the middle of the fiscal year would cause undue hardship on small communities that had not factored such an increase into their budgets. The Minister agreed to delay the implementation of the increase to April 1, 2003.

The Committee is at a loss to explain how the Department can arbitrarily decide to increase administration fees in the absence of newly signed agreements from the communities.

Finally, Committee Members are aware that other GNWT departments are currently charging considerably less in administrative cost recoveries and in some activities, are charging no administrative fee at all. For example, Nunavut is charged only a 6.5 per cent administration fee for work done on their behalf by the GNWT. The Department of RWED has a mutual agreement with fire suppression forces in other provinces and territories to charge no administration fee for any services provided to another jurisdiction. Clearly there is a large discrepancy throughout the GNWT as to the charge of administration fees by departments.

Furthermore, the Members of the Committee would like to suggest to the Government that water is an essential service and should be a cost to the Government without an expected 100 per cent recovery of costs from the

communities. Members also suggested that there be a cap on the costs of water/sewer maintenance fees or charges.

The Standing Committee on Governance and Economic Development has once again referred this item for comment by all Regular Members at the Standing Committee on Accountability and Oversight.

Evergreening – Desktop Computer Replacement Program

During the review of the 2003-2006 Business Plans, the Standing Committee took note that the GNWT appears to have adopted a three-year replacement schedule for desktop computers called Evergreening. The GNWT stated that for desktop and presumably laptop computers, the Government has concluded that a three-year replacement cycle is the best balance between functionality and cost.

The Standing Committee reviewed this program and decided that while some computers involved in technical work such as graphics or mapping may need to be replaced frequently, other computers, that are used simply for word processing may not. The Standing Committee recommended in their Report on the Business Plans that the Government review this program and extend the three-year replacement schedule wherever possible.

The Standing Committee was informed that all decisions regarding computer policy are now under the direction of the new Chief Information Officer within FMBS. In their reply to the Committee, the Government stated that it will review the program but still regards the three-year replacement schedule as a necessary expense.

> ***The Standing Committee on Governance and Economic Development recommends the Government extend the current three-year replacement cycle for desktop computers wherever possible.***

The Standing Committee also recommended in the Report on Business Plans that the Government consider the donation of computers deemed to be obsolete by the Government to communities and non-governmental organizations. The Government agreed with this recommendation and stated that it would explore the options.

Members are aware that the Knowledge Management Strategy will attempt to centralize and harmonize computer services and purchasing for the GNWT. The Standing Committee would like to be assured that there would not be excessive additional costs for IT services once the Knowledge Management Strategy is fully implemented.

The Standing Committee has referred this item to the Accountability and Oversight Committee for consideration by all Regular Members.

Ministry of Aboriginal Affairs (MAA)

The Standing Committee on Governance and Economic Development met with the Minister and his staff from the Ministry of Aboriginal Affairs on January 21, 2003. The Department of the Executive is made up of the Ministry of Aboriginal Affairs, FMBS and the Executive Offices. The Ministry of Aboriginal Affairs and FMBS submit their own Business Plans and Main Estimates for review by the Standing Committee on Governance and Economic Development. The Standing Committee on Accountability and Oversight reviews the Business Plan and Main Estimates for the Executive Offices.

The Ministry is proposing no change to its overall operating expenses budget of $8,511,000 from the 2003-2006 Business Plans.

Negotiations with Industry

Increased economic activity in the NWT is providing jobs and growth for the NWT as a whole. However, impacted communities are often the first to feel the effects of unlimited growth both in environmental and wildlife impacts and the social impacts of increased development within a small community.

The Committee is concerned that there appears to be a lack of a clear policy to assist First Nations governments to adequately prepare for negotiations with multinational corporations. These local leaders are responsible for negotiating complicated impact benefit agreements, monitoring the usage of land and resources, and responding to the social problems caused by development.

It is the Committee's opinion that the Ministry of Aboriginal Affairs needs to do more to develop the capacity of local communities in negotiations with industry that will adequately protect the environment and traditional livelihoods and also provide economic opportunities for communities in the impacted areas.

Slow Implementation of Land Claim Agreements

Land claim agreements have long since been reached with the Inuvialuit, Sahtu and Gwich' in people. The Committee remains concerned that despite this considerable passage of time there remains numerous issues to be addressed for implementation of land claim agreement clauses. Vital legislation, such as the Wildlife Act and the Forest Management Act, needs to be revised to reflect the new reality of settled land claims in the NWT. These critical clauses will remain ineffectual until the passage of this legislation. Areas such as forestry, wildlife, recreational parks, and business opportunities are all important issues to be addressed by communities but cannot be acted upon until rights are reflected and recognized in legislation.

The Committee is disappointed to hear that the Department considers it unlikely that these important bills will be considered by this 14th Legislative Assembly. The Committee continues to maintain that had a higher priority been placed on these bills in prior years, this current Assembly would have been able to complete and hand over to the new government, legislation implementing land claim agreement clauses.

Growth of Ministry

While the Committee recognizes that there is little that can be done to address costs related to the addition of negotiation tables within the Ministry's mandate, the Committee is concerned about the significant increase in the Ministry's budget.

A document provided by the Financial Management Board Secretariat shows that the Ministry's budget has risen from the 1999/2000 actuals of $3,455,000 to its proposed budget of 2003-04 of $8,511,000. That is an increase of 146 per cent over the term of this Assembly.

The Committee would like to urge the Ministry to look at re-allocating existing funding internally in order to address future new negotiations.

Intergovernmental Forum - NWT Economic Development Advisory Forum

Members are aware the Common Ground Strategy offered considerable advice to the Government on future direction for continued economic growth in the Northwest Territories. Several initiatives, such as the streamlining of business funding organizations, are now taking place.

The Members questioned whether there is a true need for another Economic Development Advisory Forum such as the one proposed under the Intergovernmental Forum.

Incremental Costs

The Committee has consistently been reassured by the Ministry that the Federal Government will pay the "incremental costs" associated with the implementation of self-government agreements. However Members are aware that the GNWT has yet to cbtain from federal government, a complete definition of those costs. It remains a concern to the Committee that the GNWT is negotiating agreements without a commitment to a proposed definition of the term "incremental costs".

Financial Management Board Secretariat

The Financial Management Board Secretariat (FMBS) manages and controls the Government's financial, human and information resources. The FMBS, the Ministry of Aboriginal Affairs and the Executive Offices make up the Department of the Executive.

The Standing Committee on Governance and Economic Development met with the Chair of the Financial Management Board and his staff on Wednesday, January 15, 2003 to review the Secretariat's Draft Main Estimates for 2003-2004.

The Committee noted a net $359,000 increase in operations expense for FMBS from their 2003-2006 Business Plans. FMBS explained that this net increase is due to a $93,000 adjustment in amortization expense; a $226,000 transfer from Health and Social Services for the Fort Smith and Deh Cho Health and Social Services Board for the provision of payroll and benefits support; and $40,000 for the development of evaluation capacity in support of the Social Agenda Action Plan. There were no changes in capital expenditures for the Secretariat from its 2003-2006 Business Plan.

Corporate Capital Planning Process

During the Committee's review of the FMBS's 2003-2004 Draft Main Estimates, the Government's Corporate Capital Planning process (CCP) remained a primary concern for most Committee Members. Committee issues that arose from its continued consideration of the CCP included:

1. The Primary Rating Criteria, the foundation of the CCP, places a primary and secondary priority on people and assets respectively. This results in more capital funding allocation for more developed and populous communites. A number of Members commented that if this criterion remains unchanged, small communities may never see any significant funding or improvements to their infrastructure.

2. The evaluation process for the CCP is conducted by the Capital Review Committee, which is comprised exclusively of deputy ministers. The Committee stated that while the decision making process has been transferred to the deputy ministers, it is the Ministers who are ultimately accountable to the residents of the Northwest Territories.

3. A more equitable approach that incorporates an improved and more equitable distribution of capital funding to small communities must be implemented.

4. Committee Members noted cost overruns in large projects have been funded at the expense of other projects.

5. In most small communities, Government capital expenditures are often the sole source of economic development.

Committee Members recalled that at the end of the review of the 2003-2006 Business Plans, the Premier at a meeting with AOC agreed to review the CCP process, taking into consideration the concerns of the Regular Members. AOC informed the Premier that it would like to comment on any proposed changes to the CCP prior to the introduction of the Government's Draft 2003-2004 Main Estimates in February of 2003. To date, neither Standing Committee has received correspondence or briefings on proposed changes to the current CCP from the Government.

Technology Services Centre

The Government's IT support services will be centralized under FMBS within its new Technology Services Centre (TSC). The TSC will be responsible for providing a centralized service desk, desktop, network, server and network authentication support services to departments. Services rendered will be charged back to the respective department, board or agency and the staff of 29 will be comprised of IT staff transferred from the departments.

Although Committee Members appreciated the efficiencies associated with the centralization initiative, the Committee hoped that this was not another unnecessary exercise to increase staff or funding. Committee Members recalled that a similar exercise in the previous Assembly was initiated and completed by the Department of Public Works and Services. The centralization initiative must ensure services are not needlessly duplicated.

Regional Reorganization

Some Committee Members observed that there has been growth in the number of active positions and correspondent funding for the communities of Fort Smith and Fort Simpson. No increases in active positions or funding was evident for Hay River, a community in the same region as Fort Smith, which is experiencing a greater demand for programs and services.

Committee Members note that many departments have made changes to their organizational structure to prepare for program and service delivery functions in line with anticipated self-government agreements. The Committee is concerned that there may be increased costs associated with any realignment of programs and services along self-government lines. Committee Members remarked that these incremental costs associated with self-government are the responsibility of the federal government.

To his knowledge, the Minister assured that there is no regional reorganization planned or underway. In a subsequent letter to the Standing Committee on Accountability and Oversight, the Minister confirmed there is no government-wide undertaking to reorganize its regional structures in anticipation of self-government or any other development.

Clear and Consistent Financial Reporting Protocols

During the Committee's review of the Department of Transportation's capital expenditures, Committee Members made note of the increase in capital funding that was attributed to the Canada Strategic Infrastructure Fund. The Committee asked the Department for an explanation of how the funding was accounted for within the Department of Transportation. The Department of Transportation referred the matter to the Department of Finance, who in turn referred it to the FMBS.

FMBS explained that monies from the Canada Strategic Infrastructure Fund is accounted for within 'Deferred Capital Contributions' of the Government's overall Summary of Revenues and not within the Department of Transportation. However, Members later noted that funding from the federal government's Airport Capital Assistance Program is accounted for within the Department under "Capital Recoveries" in its Revenues, Recoveries and Transfer Payments schedule.

The Committee commented that the Government's books should be clear, consistent and in plain language. Committee Members encourage the Government to adopt a standardized reporting process for revenues as well as expenditures.

Department of Finance

The Department of Finance is responsible for obtaining the financial resources to carry on the functions of Government, for intergovernmental fiscal negotiation and arrangements, for regulating the insurance industry, and for controlling the sale of liquor in the Northwest Territories.

The Standing Committee on Governance and Economic Development met with the Minister of Finance and his staff on Wednesday, January 15, 2003 to review the Department of Finance's 2003-2004 Draft Main Estimates.

The Department reported a net $1,844,000 increase in its operations expense from the 2003-2006 Business Plans. This increment comes from an additional $1,734,000 for short term interest expense due to an increase in the Government's projected cash deficit; and $110,000 required for the development

of evaluation capacity throughout the Government and northern communities as part of the Social Agenda Action Plan. The Department of Finance did not have any capital expenditure.

Proposed Revenue Initiatives

In an effort to reduce the size of its projected cash deficit, the Government proposed a number of revenue initiatives. These revenue initiatives include an increase of $6.80 per carton of cigarettes, effective April 1, 2003, and a 10 percent increase in the markup for liquor, also effective April 1, 2003. In 2003-2004, these proposed increases are forecast to raise $2,500,000 and $1,000,000 respectively for a total of $3,500,000 for 2003-2004 and a further $3,500,000 in 2004-2005.

Committee Members were very concerned about the impact of the proposed revenue initiatives upon the already high cost of living for residents. Some Members were of the position that tobacco and alcohol consumption is not discretionary but rather an addiction. This would most negatively impact the cost of living for fixed or lower income earners and their dependents. These proposed initiatives may also result in increased social costs for the Government.

Furthermore, the Committee emphasized that while the Government invited public consultation as part of its other tax initiatives, they did not do so in this case. In light of the significant impact of the Government's proposed revenue initiatives, the Committee referred the matter to AOC for further consideration by all Regular Members.

Debt Management

During the review of the Department of Finance's Draft Main Estimates for 2003-2004, the Committee asked the Minister for an overview of the Government's fiscal position. The Department replied that the Government would start off the 2003-2004 fiscal year with a $30,000,000 cash surplus; however, at the end of the 2003-2004 fiscal year, the cash deficit is forecast to be $93,000,000. The Government's maximum borrowing limit is $300,000,000. At the end of the next fiscal year, taking into account debt guaranteed by the Government, the borrowing capacity is estimated to be $83,000,000. Interest expense to pay for increased cash deficit is forecast to be $2,200,000 by the end of 2003-2004.

The Committee remarked when the Government received large corporate tax windfalls in the past two fiscal years, its priority was to spend the money rather than establish a reserve for future years. Committee Members suggested that better financial planning may have reduced the forecasted deficit and resulted in additional funding for programs and services from a decrease in interest expense.

Department of Transportation

The Department of Transportation provides for the safe, accessible and reliable movement of people and goods throughout the Northwest Territories. The Standing Committee on Governance and Economic Development met with the Minister of Transportation and his staff on January 14, 2003 to review the Department of Transportation's Draft Main Estimates for 2003-2004.

Committee Members made note of a net $3,020,000 increase in operations expense for the Department. The Department advised, the net increase is due to: $1,711,000 in overall changes to the Department's amortization estimates; $172,000 to fund motor vehicle registry services in Yellowknife; $250,000 to fund a design review and legal work required for the drafting of the final agreement for the Deh Cho Bridge proposal; $167,000 in incremental costs associated with the administration of the Community Aerodrome Radio Stations or CARS on behalf of NAV Canada – net effect is nil as these costs are recovered from the third party; $370,000 to fund the implementation of the new impaired driving legislation; and $350,000 in infrastructure contributions. The $350,000 in infrastructure contributions is comprised of $100,000 for community marine facilities and $250,000 for community access roads.

The Committee also noted a net increase of $7,845,000 in capital expenditures for the Department from its Business Plans. This net increase is the result of: a correction or deletion of $455,000 in capital funding for high intensity approach lights that had already been included in the budget for the Inuvik Airport's taxiway and apron upgrade project; an additional $4,000,000 from the Canada Strategic Highway Infrastructure Fund for Highway 8, km 0-259 – Various Inuvik; a further $3,800,000 from the same fund for Mackenzie River Road Bridges – Various Inuvik; a reduction of $500,000 from $1,300,000 to $800,000 for Highway 4, km 0-69.2 – Various North Slave; and an additional $1,000,000 for Public Highway Access Roads – Various Territorial.

Ferry Maintenance

It is generally accepted that proper preventative and scheduled maintenance would result in reduced operational and repair costs. Committee Members suggested when replacing engines for ferries, either new or rebuilt engines be purchased. Adopting this value for money approach would be more economical in the long run.

The Committee noted that many of the current ferry engines may be obsolete. Ongoing maintenance for engines that should be replaced is unreliable and inevitably more expensive. Long term savings from the use of new or rebuilt engines may result in funding for other essential programs and services.

Highway Maintenance and Snow Removal

Timely snow and ice removal on the highway system is essential to public safety. It was brought to the attention of a number of Committee Members that on some highway sections, snow and ice removal only occurs during regular work hours. Travel takes place at all hours of the day and throughout the entire year.

The Committee suggested to the Department that snow and ice clearing be done as soon as possible on all sections of the highway system to ensure public safety, even on weekends and holidays, and outside regular work hours.

Apprenticeship and Other Training Programs

Training and apprenticeship programs for Northerners have remained a leading concern for Members of the Standing Committee. These programs should be easily accessible for all Northerners. However, Committee Members pointed out that apprenticeship and other training programs are almost non-existent in smaller communities and are mostly concentrated in regional centres. The Committee is of the position that apprenticeship and other training programs should be available in all communities, regardless of population.

Committee Members were also concerned about the adequate funding levels for training programs. The Government's Maximizing Northern Employment program or MNE offers very limited funding. Furthermore, many people are not even aware of the training opportunities that are available. The Committee

recommended that the Government develop a more effective communications strategy that lets people know what training programs are available in the Northwest Territories and equally important, in their own region.

Within the Department, employees must pass their one year probationary period to obtain any significant training. Barriers to training must be eliminated or at least reduced. The availability of training and other educational programs contributes to recruitment and retention success and better overall program and service delivery. To these ends, the Committee suggests the Department encourage its staff to take better advantage of training and other educational opportunities.

Readable Signage

Readability contributes to overall safety for the travelling public, especially on our highway system. A number of Committee Members pointed out that the lettering size on the Government's current road signs is not large enough and is difficult to read from a moving vehicle. The Committee encouraged the Department to make timely efforts to improve and replace the signage on our territorial highway system.

Public Highway Access Roads

The Department of Transportation received $1,000,000 in funding for the development and expansion of public highway access roads for 2003-2004 from its 2003-2006 Business Plans. The Department is responsible for a number of access roads that connect communities to the highway network. These access roads are an integral part of the highway system. During the Committee review of the Department's Main Estimates, Members requested additional information from the Department, including a list of communities that are eligible and the work that is planned for 2003-2004.

In a document provided to the Committee, the Department informed the Members, that eligible communities include Kakisa, Hay River Reserve, West Channel (Hay River), Fort McPherson, Jean-Marie River and Nahanni Butte, all of which require additional upgrading and/or chipsealing. The Department added that these planned improvements would improve access road safety, and

decrease highway maintenance costs by reducing the blading, grade repairs, granular and dust control requirements. Improvements to public highway access roads in all of the eligible communities are planned for the upcoming fiscal year.

Committee Members observed that while some funding is available to make improvements to public highway access roads, more money is needed to complete the various projects. The Committee concluded that more funding must be found but not from internal reallocation. Committee Members suggested if the Government receives new funding, a portion of it should be redirected towards the Public Highway Access Road program.

Department of Municipal and Community Affairs

The mandate of the Department of Municipal and Community Affairs (MACA) is to provide community governments with the support to deliver public programs and services essential to good community life, to assist with the development and maintenance of community governments, and to provide the resources necessary to achieve community goals.

The Standing Committee on Governance and Economic Development met with the Minister of Municipal and Community Affairs and his staff on Friday, January 17, 2003 to review the Department's Draft Main Estimates for 2003-2004.

Committee Members noted a net upward adjustment of $11,001,000 in the Department's operations expense from its 2003-2006 Business Plan. This net increase is due to: $1,266,000 increase in overall changes to the Department's amortization adjustments; $1,000,000 increase for community programs to address community priorities such as youth and family, with a focus on active living; and $8,735,000 increase in other adjustments resulting from the reporting of infrastructure contributions as an operations expense instead of a capital expenditure in accordance with the Government's Tangible Capital Assets accounting protocol.

The Committee also noted a net downward adjustment of $6,845,000 in the Department's capital expenditures from its 2003-2006 Business Plans. This is the result of: an additional $1,390,000 increase in funding for new investments comprised of $1,000,000 for main street paving, $40,000 for solid waste site replacement in Deline, $50,000 for solid waste site replacement in Rae-Edzo

and $300,000 for the Land Development Fund; $500,000 moved forward from 2004-2005 for the replacement of the above ground pool in Fort Providence; however, $8,735,000 was transferred to operations expense as part of the Main Estimates reporting protocol as required by the Government's Tangible Capital Assets accounting requirement.

Main Street Paving for Non-Taxed Based Communities

In March 2002, during the review of the 2002-2003 Main Estimates for MACA, the Committee of the Whole passed a motion that required the Ministers of MACA and Transportation develop a program to pave the main streets within non-tax based municipalities having a population greater than 500 residents and located on the Northwest Territories highway system.

Based on the above criteria, the Department advised the Committee in separate correspondence that the following communities would be eligible for the paving of their main streets: Fort Resolution, Fort Liard, Fort Providence, Fort McPherson and Rae-Edzo. Paving would be the chipseal type.

During the review of the Department's Draft 2003-2004 Main Estimates, the Department provided the Committee Members with a preliminary implementation schedule for the Main Street Paving Program for Non-Taxed Based Communities. However, Committee Members noted with concern that Tuktoyaktuk, an ineligible community, is proposed to receive $1,250,000 for the chipsealing of its main street over the next five fiscal years. Although Tuktoyaktuk has a population of 979, it is not on the NWT highway system. The Department remarked that the listing may change depending on community priorities and the Department of Transportation locations.

The Committee brought this issue to the attention of AOC for further input from all Regular Members. After careful consideration, the Members of AOC advised the Government in a letter that funding for main street paving for non-tax based communities must be scheduled specifically for those communities that clearly qualify.

The Government recently replied that the main street in Tuktoyaktuk will be paved, regardless. FMB has extended the program to include all non-tax based communities and directed that communities be scheduled in such a way as to maximize efficiencies between the paving program and other projects. As

Transportation's crushing and other equipment will be available in Tuktoyaktuk in the summer of 2003, the Government added that it would be most cost effective to undertake the main street paving project in Tuktoyaktuk at that time.

Highway Emergency Rescue Vehicle

In many communities, the local fire department provides emergency services to the municipality, vicinity and the nearby highway. Unfortunately, in most cases, a response to a highway accident may leave a community with no emergency services. A Highway Emergency Rescue Vehicle would significantly contribute to a greater level of safety and services for communities on the highway system.

The Minister agreed with the Committee, but replied that funding would be difficult to obtain under the current Corporate Capital Planning process and the federal Joint Emergency Preparedness Program. As a result, the Committee Members made the following recommendation:

> ***The Standing Committee on Governance and Economic Development recommends the Department of Municipal and Community Affairs and the Department of Transportation reconsider their approach to the delivery of emergency services on the highway system, and place a higher priority on the emergency rescue responses that are accompanied with sufficient resources including highway emergency rescue vehicles.***

Follow-up: Recognition of Firefighters

Firefighters and volunteer firefighters perform an important and indispensable community service and should be appropriately recognized. Special license plates similar to those issued to Members of the Legislative Assembly should be reconsidered for volunteer, full and part-time firefighters.

The Minister responded it is within the Department of Transportation's mandate to make revisions to the Government's license plate program and he would work with Transportation and the Committee Members on this initiative.

A number of Committee Members also suggested that five years of service should be properly acknowledged with a medal rather than a pin. All pins should be replaced with medals, which denote a greater importance. The Department

should ensure medal design adhere to standards in other Canadian jurisdictions. The Minister agreed to take the Committee's suggestions into consideration and consult with the Fire Chiefs on any revisions to the current recognition program.

Water and Sewer

During its review of the Department's draft 2003-2004 Main Estimates, the Committee noted an increase in MACA's Water Sewer Services Subsidy. The purpose of the subsidy to provide funding to communities to assist with the provision of water and sewer services. These communities include Fort McPherson, Aklavik, Tsiigehtchic and Rae-Edzo. The Department of Public Works and Services charges full cost recovery plus a 9 per cent surcharge for the provision of water and sewer services to these communities. Public Works and Services recently proposed an increase to their current surcharge from 9 per cent to 16 per cent, effective April 1, 2003. Committee Members pointed out that the increase to MACA's Water Sewer Services Subsidy may have been made to offset the increased surcharge proposed by Public Works and Services.

Committee Members questioned at length the rationale behind the proposed increment, as MACA would have to increase its Water Sewer Services Subsidy to communities to balance the increase in expenditures. The Committee concluded that the proposed surcharge would severely strain communities. Communities are already operating with limited resources. The proposed increase is considered excessive and out of line with administration fees charged by other Departments. Funding to offset the proposed increase may be used to fund more important programs and services. Significantly, the proposed increase was made without consultation with the client communities, their respective MLAs and the Standing Committees.

In a recent letter to AOC, the Government agreed with the Standing Committees that the proposed increment was excessive. It assured the Members that until this matter is discussed with the affected communities, the current 9 percent surcharge would remain unchanged for the provision of water and server services.

Plan Review Fee

The Committee noted a significant decline in the Department's projected revenue for its Plan Review Fee. A few years ago, a recommendation was made by the

Government to implement a new fee structure for plan review services as part of its Regulatory Reform Initiative. The proposed fee was to be based on a percentage of the project cost. This fee would be charged to building owners, developers and contractors who would submit drawings and specifications for review by the Office of the Fire Marshal. The Office of the Fire Marshal would review the plans for compliance with the National Building Code and the National Fire Code. The Department had planned to implement the proposed fee effective April 1, 2003.

However, a recent court decision, "Eurig v. Ontario", stipulated that the government's charges for providing services must be based on actual costs. Thus, the proposed fee structure for plan review services has been amended to a flat rate of $85 per hour. The revised revenue estimates are based on this hourly rate. A number of Members were concerned that the Eurig decision may have an impact upon the Government's other "for service" fees and suggested that the Government would be wise to review its current fee structures.

Department of Public Works and Services (PWS)

The Standing Committee on Governance and Economic Development met with the Minister for the Department of Public Works and Services and his staff on January 16, 2003 to review the Department's Draft Main Estimates for 2003-2004.

The Committee noted a net $586,000 increase in operations expense for PWS from their 2003-2006 Business Plans. PWS explained that this net increase is due to a $35,000 adjustment in amortization expense and by the assumption of responsibility for the Fort McPherson water haul contract of $551,000. There were no changes in capital expenditures for the Department from its 2003-2006 Business Plan.

Administration Fee of 16 Per Cent to Communities

As previously stated in the general comments the Committee spent a considerable amount of time during the Business Plans exploring this issue and made two recommendations to the Department in order to increase both community capacity and maintain consistent delivery fees. The first

recommendation was for the Department to not implement a planned 7 per cent increase in the administration fee the Department charges the community over and above the fee for any work provided by PWS. The Committee felt that the four communities affected by the rate increase would be caused undue hardship by the increase as they had not incorporated it into their yearly budget planning.

Further to this, the Committee also recommended that the Minister approach the four affected communities with new draft contracts allowing for communities to contract out necessary repairs to their infrastructure, including current water and sewer services contracts with PWS. During the last Main Estimates review, the Minister had stated that new contracts had been drafted and would be signed by communities over the summer of 2002.

During the Main Estimates review for 2003-2004 the Committee asked if any of the four communities had new agreements with the Department. The Minister stated that none had been signed. He also stated, however, that the planned increase of the administration fee to 16 per cent was going ahead for implementation on April 1, 2003. To justify the increase, the Minister stated that he had been directed by the Financial Management Board Secretariat to obtain full cost recovery for all services provided to the communities.

The Committee once again must state that it does not support any administration fee levied on work done by the Department for communities. The Committee is aware that the majority of the money spent by the community on services is ultimately recovered from the Department of Municipal and Community Affairs. The Committee does not feel that it is appropriate for PWS to unilaterally impose a charge which will ultimately come from another GNWT department. Therefore, the Standing Committee on Governance and Economic Development recommends,

> ***The Standing Committee on Governance and Economic Development recommends that the Department of Public Works and Services should immediately suspend all proposed increases to the administration fees charged to communities for water/sewer maintenance services until such time as the GNWT has a consistent process of charging administration fees for work provided on behalf of others.***

In response to a letter from the Standing Committee on Accountability and Oversight, the Committees were informed that the Government has agreed to suspend the planned increase to the current administration fee of 9 per cent. Members are pleased to see that the Government intends to further discuss this issue with the affected communities.

Evergreening and IT Services

As previously stated in the general comments the GNWT has adopted a three-year replacement schedule for desktop computers called Evergreening. The GNWT stated that for desktop and presumably laptop computers the Government has concluded that a three-year replacement cycle is the best balance between functionality and cost.

The Standing Committee recommended in their Report on the Business Plans that the Government review this program and extend the three-year replacement schedule wherever possible. In their reply to the Committee the Government stated that it will review the program but still regards the three-year replacement schedule as a necessary expense.

The Standing Committee re-iterated their support for the extension of the current three-year replacement program in its recommendation under the general comments.

The Standing Committee also recommended in the Report on Business Plans that the Government consider the donation of computers deemed to be obsolete by the Government to communities and non-governmental organizations. The Government agreed with this recommendation and stated that it would explore the options.

Members are aware that the Knowledge Management Strategy will attempt to centralize and harmonize computer service and purchasing for the GNWT. The Standing Committee would like to be assured that there will not be excessive additional costs for IT services once the Knowledge Management Strategy is fully implemented.

Delay of Capital Projects

Members are aware that while funds have been approved in the House for several capital projects, many of those have been delayed far beyond what would be considered reasonable by members of the public.

Members are concerned that money that has been approved in the House should not be routinely carried over into future years but should be used at the time of its approval.

Two examples were brought forth by Members. The curling rink in Aklavik was approved in the Capital Acquisition Plan over two years ago, and yet the project has yet to be started. Another example of a carried over project is the water plant project in Tsiigehtchic. Members asked for and received a complete list of capital projects and their current status from the Department.

The Standing Committee is of the opinion that the delay of some capital projects causes vital Government resources to be tied up while other capital projects languish due to a lack of funds.

Water Quality Concerns

Members are aware that there are a few communities that are concerned about the quality of their drinking water. Given the vital importance of this issue after the tragedy in Walkerton, Ontario, the Standing Committee would like to be assured that the Department is doing everything possible to ensure clean, healthy water for all residents of the NWT.

During the review of the Business Plans, the Committee asked about several boil water restrictions in prior months for several communities. The Department stated that the alerts were put in place largely because communities were having difficulty taking water samples to a testing facility in the proper amount of time. The Standing Committee asked that the Department assist remote communities with their delivery of water samples to testing sites to ensure water quality.

The Standing Committee would also like the Department to thoroughly review the responsibilities for all testing of water done by the communities, GNWT departments and health officials. Members are aware that there were significant changes to the formula funding for communities over the past two years. There are concerns that some communities may not be aware of their current roles and responsibilities for the testing of water. The Standing Committee would like to be assured that water safety remains of utmost importance to the Department.

Environmental Liabilities

The Standing Committee had asked during the Business Plan review for a timeline schedule for the cleanup of environmental liabilities managed by the Department. Members were pleased to receive this list and review it. However,

the Department neglected to provide estimates of the costs associated with site clean-up. Members requested this information and it was provided.

Members noted that the Government will likely be coming forth with a supplementary funding bill in order to address some of the larger site clean-ups.

Petroleum Product Revolving Fund

As Members reviewed the Business Plans for the Department they were alarmed to see a projection forecasting the deficit of the Petroleum Product Revolving Fund to extend past its legislated limit of $5 million dollars. The Standing Committee expressed their concern to the Minister who replied that he would likely have to approach Cabinet with a plan to write off some portion of the debt.

In the Main Estimates, however, Members were pleased to see that the Department is no longer projecting a deficit past its legislated limit. The Department stated that significant savings were achieved due to a mild winter season and significantly less money spent to subsidize fuel as well as having had the good fortune of an excellent winter road season last year.

The Committee, however, remains concerned that should these mitigating factors change, the revolving fund will once again be placed in a precarious position. Members would like to encourage the Department to carefully monitor the deficit of the revolving fund but would strongly discourage the Department from raising prices in order to stabilize this fund.

Department of Resources, Wildlife and Economic Development (RWED)

The Standing Committee on Governance and Economic Development met with the Department of Resources, Wildlife and Economic Development (RWED) on January 20, 2003 to review the Department's Draft 2003-2004 Main Estimates.

The Department is proposing a net decrease of $6,000 from its prior 2003-2006 Business Plans. This decrease is due to an adjustment in amortization expense for the Department.

Division of Department

As Members reviewed the extensive and varied responsibilities of the Department, the Committee re-iterated their opinion from prior years. The Committee has expressed their concern that the combination of wildlife and environmental protection with economic development creates unnecessary complications and competing interests within one department. The Committee also is concerned that as the focus of the NWT has turned to its increasing economic growth, the need for a focussed program to monitor the effects of development on the environment, wildlife and communities is even more vital than before.

The Committee has suggested in previous reports that there may be a need to divide the Department into the two respective departments. One Department would maintain responsibility for environmental, wildlife protection as well as forest management and land use. The other department would manage all aspects of economic development programs and divisions. The Committee feels that the division of RWED into two departments would eliminate the possibility of one activity overshadowing another vital activity.

The Committee would like to suggest that the Premier's Task Team on Corporate Review and Transition Planning take the Committee's suggestion to divide the Department of RWED into consideration for its final report.

Forest Fire Pre-Suppression Contracts

In September of 2002 the Committee reviewed the Business Plans for the Department of RWED and was told that the pre-suppression water bomber contracts were due to be renewed shortly. The Minister stated that he had received Cabinet approval to proceed with another negotiated contract with Buffalo Air to renew for a further five years.

Several Members of the Committee noted that negotiated contracts were used in awarding the original contract to Buffalo Air and in the previous renewal for a total of seven years. At the time of their last renewal Members of the 13th Assembly were assured that any future contracts would be put out for tender. Members are aware of the significant amount of these two contracts totaling almost $21 million dollars. In order to open up the process and allow for equal competition in the NWT as well as to guarantee the GNWT's provision of services at a competitive price, the Committee had recommended that the water bomber contracts up for renewal be open to requests for proposals.

In its response to the Committee, the Department stated that it recognizes that contract services obtained by the GNWT must be provided at a reasonable cost. However, the Department also stated that if contracts were awarded to a company other than Buffalo Air, the new company would require time to build the needed skills and incur costs associated with capital for infrastructure and the development of training programs. These costs would be reflected in the cost of the contracts to the GNWT.

On December 20, 2002 Members and the public were informed that the two five-year contracts for air and land-based tanker services for forest fire management contracts were awarded to Buffalo Air.

Members are not convinced that there was an urgent need to renew the existing air contract with Buffalo Air for five years rather than offering the contracts up for RFP. However, Members were pleased to hear that the Minister had written letters to all the airline companies based in the NWT explaining his decision to award the contract.

The Minister also stated that a new RFP would be offered to NWT airline companies by year three of the current five-year contract with Buffalo. The Government feels that this will allow local companies enough time to build up the necessary infrastructure and training programs in order to adequately compete with a well-established firm that has been operating the contract for a dozen years. The Standing Committee hopes that this process will allow for competitive bids from local businesses so that they, too, may continue to flourish.

NWT Business Development Corporation

Members noted the planned incorporation of a new NWT Business Development Corporation within the Department. The Committee has expressed concern repeatedly in prior reports about the need to streamline business development funding to reduce duplication and to clarify the process for business operators in the NWT.

Members had also expressed concern during the Business Plan review that any proposed changes to the Department would require extensive legislative change. The Committee received the legislative proposal for the new corporation in January and reviewed the proposal on January 22, 2003. The Committee raised several issues that were of particular concern to them and made numerous recommendations in letters to the Department.

In particular Members would like to be assured that the process of distributing funds throughout the NWT is fair to all communities and not focussed on areas that are already experiencing significant economic growth. Members also raised concern about the methods of business development funding delivery within small communities, especially those without economic development officers or those ineligible for Community Futures funding.

During the review of the draft Main Estimates for the Department however, Members limited themselves to the issue of potential savings that had been proposed by the Department by the amalgamation of the numerous business funding programs operated by the GNWT.

In the initial discussions with the Department, the Committee was informed that the proposed amalgamation would see an annual savings of $500,000. However the Committee was unable to identify this savings within the draft Main Estimates. Upon questioning the Department stated that the Financial Management Board Secretariat has taken the $500,000 "off the top" and had restated funds in the draft Main Estimates to take that into consideration.

However, the Committee then noted an increase in the draft Main Estimates for the new NWT Business Development Corporation of $174,000. Members must conclude then that the proposed savings of $500,000 are now being reduced to a mere annual savings of $326,000. As the new corporation will ultimately be responsible for distributing over $8 million dollars in business development funding Members are concerned that the proposed amalgamation is not resulting in the desired outcome of administration expenditure savings.

Members look forward to reviewing the bill in Committee and ensuring that their concerns are addressed prior to the planned incorporation for the summer of 2003.

Arctic Canada Trading Corporation

The Arctic Canada Trading Corporation (ACTC) has been a long-standing project of the NWT Development Corporation to provide a marketing outlet for local artisans. The ACTC purchased goods from local artists and proceeded to market these goods to retail organizations both in the NWT and throughout Canada. Members are aware that during its heyday the corporation provided a large supply of native art and crafts to the southern markets.

It would appear from the comments made by the president of the NWT Development Corporation during the review of RWED's Main Estimates that the ACTC is no longer operating in its former capacity. In fact, the president of the NWT Development Corporation stated that the ACTC is now down to a staff member of one.

Members also became aware that the Arctic Canada Trading Corporation had recently attempted to promote discount sales of items over the Christmas season through a promotional flyer. Retail outlets were upset to see a government-funded operation directly competing with local businesses. The Committee asked if the new Business Development Corporation would attempt to directly compete with thriving independent businesses in the NWT. The Committee was advised that there will be a retail representative on the new board for the Corporation and that the board will reconsider its current retail policy.

Finally, the Committee feels that considerably more attention must be paid to assisting local artisans in marketing their wares. Many small communities in the NWT lack the resources to sustain a viable retail business community. Therefore local artisans require assistance in both marketing their goods and/or shipping their pieces to NWT or southern markets. Members would like to see the development of a program to provide workshops and assistance directly to artisans within their own communities. Successful artists could provide these workshops and develop a valuable network of artisans throughout the NWT.

Petroleum Specialists

The issue of providing oil and gas specialists for those communities which will be significantly impacted by upcoming oil and gas exploration in their area was discussed.

During last year's review of the Department's Business Plans and Main Estimates, the Department committed to providing four new oil and gas specialist positions within impacted areas of oil and gas development. In specific relation to the oil and gas position in the Deh Cho region the Minister stated during the review of the Main Estimates on January 21, 2002 that he would fill that position. (Hansard, GED review of the 2002-2003 Main Estimates, RWED, p. 60)

The Minister followed up that commitment by stating in the House on February 27, 2002 in reference to the position in the Deh Cho region,

> The position is not filled and we have to fill it.
> (Hansard, Feb.27, 2002, p. 222)

The Member for the Deh Cho region is particularly concerned that the communities impacted by new development in the region are currently unable to adequately negotiate with large multi-national oil and gas companies due to a lack of expertise in this area. Negotiations regarding impact benefit agreements, wildlife management, environmental concerns and the social impacts caused by increased activity in this sector are all vital areas that need to be addressed by community leaders.

> ***The Standing Committee on Governance and Economic Development recommends the Department of RWED hire an experienced person to assist the Deh Cho communities with negotiations related to increased oil and gas activity within their area as soon as possible.***

Energy Strategy

The new Energy Secretariat was announced during the Main Estimates for 2002-2003. Members were told at that time that the Secretariat would produce an Energy Strategy to help the NWT address serious concerns regarding the consumption of fuel, possible alternative methods of energy production and savings as well as future considerations for the pricing of fuel and distribution.

Some Members at the time expressed support for the Secretariat but felt that the issue of energy would be better handled by RWED as opposed to the Department of the Executive. Members were pleased to see the Premier agreed with their recommendation and transferred responsibility for this new Secretariat to RWED.

As the Committee reviewed the Business Plans for the Departments in September 2002, Members were disappointed to hear that the draft Energy Strategy was still unavailable for distribution. As many crucial decisions related to energy development, such as the proposed one-rate zone for the Power Corporation, were to be based on this report Members were concerned that they lacked this information heading into the final year of their term.

During the Main Estimates review Members were informed that the original draft Energy Strategy had to be substantially rewritten into a discussion paper before Cabinet would consider its release for public consultation. After the considerable amount of resources committed to this Energy Secretariat, Members had expected to receive a more detailed report than a discussion paper and in a much more timely fashion.

Forestry Management

The Committee remains concerned about forestry management issues, especially given the complicated ownership and authority of forest lands in the NWT. As the Committee pointed out in the last Main Estimates report the lack of a timber inventory for the NWT is severely hampering efforts to establish commercial forestry operations.

While the Committee recognizes that a detailed forest inventory will never be complete, it would like to be assured that the Department has at least an estimate of the current forest inventory in the NWT or could at the very least provide a new timeline of when that estimate would be available. Until communities are provided with a basic knowledge of the resources within their areas, they cannot attempt to develop economic opportunities based on those resources. Baseline data is crucial for those communities to diversify their economic development.